

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 785 - SB 750**

March 13, 2023

**SUMMARY OF BILL AS AMENDED (005672):** Creates the “Promising Futures Account” in the State Treasury. Requires the State Treasurer to distribute privilege tax collections on sports wagering in various amounts to the Promising Futures Account and the Lottery for Education Account, beginning in FY23-24. Requires the Department of Human Services (DHS), in consultation with the Department of Education (DOE), to create and implement the Promising Futures Program to provide scholarships to assist parents and legal guardians of children who are not school age to develop early language and literacy skills in high-quality early care and learning programs by July 1, 2024. Establishes Promising Futures Scholarship requirements. Requires DOE to appoint an advisory group that makes recommendations to the department on the implementation of the Promising Futures Program by July 1, 2023. Authorizes DHS and DOE to use funds in the Promising Futures Account for expenses incurred by either department due to the Promising Futures Program's administration, marketing expenses, and evaluation.

**FISCAL IMPACT OF BILL AS AMENDED:**

**Increase State Revenue -**

**\$40,815,100/FY23-24/Promising Futures Account**  
**\$47,617,600/FY24-25/Promising Futures Account**  
**\$54,420,100/FY25-26 and Subsequent Years/Promising Futures Account**

**Decrease State Revenue –**

**\$40,815,100/FY23-24/Lottery for Education Account**  
**\$47,617,600/FY24-25/Lottery for Education Account**  
**\$54,420,100/FY25-26 and Subsequent Years/Lottery for Education Account**

**Increase State Expenditures –**

**\$40,815,100/FY23-24/Promising Futures Account**  
**\$47,617,600/FY24-25/Promising Futures Account**  
**\$54,420,100/FY25-26 and Subsequent Years/Promising Futures Account**

Assumptions for the bill as amended:

- The proposed legislation creates a scholarship program for children to participate in high-quality early care and learning programs.

- The proposed legislation creates the Promising Futures Account with the State Treasury and requires amounts remaining in the account at the end of each fiscal year to not revert to the General Fund. It further requires funds in the account to be invested by the State Treasurer for the sole benefit of the account. All earnings attributable to such investments must be credited to the Promising Futures Account.
- Tennessee Code Annotated § 4-49-104(e) currently requires 80 percent of the privilege tax collected on sports wagering to be deposited into the Lottery for Education Account, 15 percent to the General Fund for local governments, and 5 percent to the Department of Mental Health and Substance Abuse Services.
- The State Treasurer will be required to distribute privilege tax collections on sports wagering in the state into the Promising Futures Account administered by DOE to provide funding for the Promising Futures Scholarship Program as follows:
  - 60 percent in FY23-24,
  - 70 percent in FY24-25, and
  - 80 percent in FY25-26 and subsequent years;
- The State Treasurer will be required to distribute privilege tax collections on sports wagering in the state into the Lottery for Education Account as follows:
  - 20 percent in FY23-24; and
  - 10 percent in FY24-25.
- According to the Sports Wagering Advisory Council, total privilege tax collections in calendar year 2022 were \$68,025,146; for the purposes of this analysis this number is assumed to remain constant.
- The decrease in state revenue to the Lottery for Education Account and corresponding increase in state revenue to the Promising Futures Account is as follows \$40,815,088 (\$68,025,146 x 60%) in FY23-24, \$47,617,602 (\$68,025,146 x 70%) in FY24-25, and \$54,420,117 (\$68,025,146 x 80%) in FY25-26 and subsequent years.
- Scholarship recipients must be at least six weeks of age and not yet old enough to attend free public school pursuant to Tenn. Code Ann. § 49-6-3001.
- The proposed legislation creates a task force to create marketing and enrollment goals, create a request for proposal or the marketing and outreach functions, select vendors, and evaluate the progress of the vendors.
- The task force will be comprised of:
  - One staff member of DHS who is appointed by the commissioner of DHS;
  - One member who is appointed by the Commissioner of DHS;
  - One staff member of DOE who is appointed by the commissioner of DOE; and
  - One member who is appointed by the Commissioner of DOE.
- The proposed legislation authorizes DHS and DOE to use funds in the Promising Futures Account for expenses incurred by the departments due to the Promising Futures Program's administration, marketing expenses, and evaluation; provided, that the expenses shall not exceed the amounts appropriated for the Promising Futures Account as follows:
  - 2.5% for DHS and 2.5% for DOE in FY23-24; and
  - 1.5% for DHS and 1.5% for DOE in FY24-25 and subsequent fiscal years.
- The costs related to administration, marketing, the task force, and evaluation will be funded through the Promising Futures Account. It is assumed that DHS and DOE will

use the full amounts available and the full remaining amounts will be spent on scholarships each year as follows:

- \$38,774,334 in FY23-24 [ $\$40,815,088 - (\$40,815,088 \times 5\%)$ ];
- \$46,189,074 in FY24-25 [ $\$47,617,602 - (\$47,617,602 \times 3\%)$ ]; and
- \$52,787,513 in FY25-26 and subsequent years [ $\$54,420,117 - (\$54,420,117 \times 3\%)$ ].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/ah